



Senate

General Assembly

File No. 616

January Session, 2015

Substitute Senate Bill No. 1078

Senate, April 13, 2015

The Committee on Energy and Technology reported through SEN. DOYLE of the 9th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING AFFORDABLE AND RELIABLE ENERGY.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 16a-3b of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2015*):

4 (b) [When the Integrated Resources Plan contains an option to
5 procure new sources of generation, the authority] The Department of
6 Energy and Environmental Protection shall develop and issue a
7 request for proposals [,] as needed to meet the goals established in the
8 Integrated Resources Plan, including, but not limited to, meeting
9 electric energy or capacity needs, meeting the renewable portfolio
10 standards, improving energy system reliability, lowering energy costs
11 and reducing greenhouse gas emissions. Proposals selected by the
12 department shall be subject to approval by the Public Utilities
13 Regulatory Authority. The department shall submit a report, in
14 accordance with the provisions of section 11-4a, regarding such
15 proposals to the joint standing committee of the General Assembly

16 having cognizance of matters relating to energy and technology. Not
17 later than sixty calendar days after receipt of the department's report,
18 such committee shall hold a public hearing regarding such proposals.
19 Not later than thirty calendar days after the public hearing, such
20 committee shall advise the department of its approval or
21 modifications, if any, of the proposals selected. The department shall
22 publish such request for proposals in one or more newspapers or
23 periodicals, as selected by the [authority] department, and shall post
24 such request for proposals on its Internet web site. In considering any
25 generation proposals submitted pursuant to such request, the
26 [authority] department shall give preference to proposals for
27 generation without any financial assistance, including, but not limited
28 to, long-term contract financing or ratepayer guarantees. Pursuant to a
29 nondisclosure agreement, the [authority] department shall make
30 available to the [Commissioner of Energy and Environmental
31 Protection] authority, the Office of Consumer Counsel and the
32 Attorney General all confidential bid information it receives pursuant
33 to this subsection, provided the bids and any analysis of such bids
34 shall not be subject to disclosure under the Freedom of Information
35 Act. Three months after the [authority] department issues a final
36 decision, it shall make available all financial bid information, provided
37 such information regarding the bidders not selected be presented in a
38 manner that conceals the identities of such bidders.

39 (1) On and after July 1, 2008, an electric distribution company may
40 submit proposals in response to a request for proposals on the same
41 basis as other respondents to the solicitation. A proposal submitted by
42 an electric distribution company shall include its full projected costs
43 such that any project costs recovered from or defrayed by ratepayers
44 are included in the projected costs. An electric distribution company
45 submitting any such bid shall demonstrate to the satisfaction of the
46 [authority] department that its bid is not supported in any form of
47 cross subsidization by affiliated entities. If the [authority] department
48 approves such electric distribution company's proposal, the costs and
49 revenues of such proposal shall not be included in calculating such
50 company's [earning] earnings for purposes of, or in determining

51 whether its rates are just and reasonable under, sections 16-19, 16-19a
52 and 16-19e. An electric distribution company shall not recover more
53 than the full costs identified in any approved proposal. Affiliates of the
54 electric distribution company may submit proposals pursuant to
55 section 16-244h, regulations adopted pursuant to section 16-244h and
56 other requirements the [authority] department may impose.

57 (2) If the [authority] department selects a nonelectric distribution
58 company proposal, an electric distribution company shall, within
59 thirty days of the selection of a proposal by the [authority] department,
60 negotiate in good faith the final terms of a contract with a generating
61 facility and shall apply to the authority for approval of such contract.
62 Upon authority approval, the electric distribution company shall enter
63 into such contract.

64 (3) The authority shall determine the appropriate manner of cost
65 recovery for proposals selected pursuant to this section.

66 (4) The [authority] department may retain the services of a third-
67 party entity with expertise in the area of energy procurement to
68 oversee the development of the request for proposals and to assist the
69 [authority] department in its approval of proposals pursuant to this
70 section. [The reasonable and proper expenses for retaining such third-
71 party entity shall be recoverable through the generation services
72 charge.] All reasonable expenses associated with the department
73 retaining such third-party entity shall be recoverable through the
74 assessment in section 16-49.

75 Sec. 2. (NEW) (*Effective July 1, 2015*) (a) The Commissioner of Energy
76 and Environmental Protection, in consultation with the procurement
77 manager identified in subsection (l) of section 16-2 of the general
78 statutes, the Office of Consumer Counsel and the Attorney General
79 may, in coordination with other states in the region of the regional
80 independent system operator, as defined in section 16-1 of the general
81 statutes, or on the commissioner's own, solicit proposals for long-term
82 contracts, in one solicitation or multiple solicitations, from providers of
83 (1) natural gas pipeline capacity constructed on or after January 1,

84 2016, (2) liquefied natural gas, (3) Class I renewable energy sources, as
85 defined in section 16-1 of the general statutes, (4) active demand
86 response resources, including, but not limited to, load management, (5)
87 distributed generation, including, but not limited to, combined heat
88 and power, or (6) verifiable large-scale hydropower, as defined in
89 section 16-1 of the general statutes.

90 (b) The Commissioner of Energy and Environmental Protection
91 shall evaluate the following factors when reviewing proposals
92 pursuant to subsection (a) of this section, including, but not limited to,
93 (1) economic benefits to the state, (2) fuel diversity, (3) whether
94 benefits of the proposal outweigh the costs of the proposal, (4) the
95 delivered price of such sources, (5) whether the proposal is consistent
96 with the requirements to reduce greenhouse gas emissions in
97 accordance with section 22a-200a of the general statutes, (6) whether
98 the proposal is in the best interest of ratepayers, and (7) whether the
99 proposal is aligned with the policy goals outlined in the
100 Comprehensive Energy Strategy, pursuant to section 16a-3d of the
101 general statutes, including, but not limited to, environmental impacts.

102 (c) If the commissioner finds proposals pursuant to subsection (a) of
103 this section to be in the best interests of ratepayers, the commissioner
104 may select proposals from generating facilities or demand response
105 resources to meet up to the state's proportional share of the regional
106 energy load of natural gas capacity.

107 (d) Any agreement entered into pursuant to subsection (c) of this
108 section shall be subject to review and approval by the Public Utilities
109 Regulatory Authority. The Commissioner of Energy and
110 Environmental Protection may file an application with the authority
111 for the review and approval of the agreement. The authority shall issue
112 a decision not later than sixty days after such filing. If the authority
113 does not issue a decision within sixty days after receiving said
114 application, or within ninety days if the Commissioner of Energy and
115 Environmental Protection consents, the application shall be deemed
116 approved. The net costs of any such agreement, including the electric

117 distribution companies' costs incurred under the agreement and
 118 reasonable costs incurred in connection with such agreement, shall be
 119 recovered through a fully reconciling component of electric rates for all
 120 customers of electric distribution companies.

121 Sec. 3. (NEW) (*Effective July 1, 2015*) In any rate application filed
 122 with the Public Utilities Regulatory Authority on or after July 1, 2015,
 123 by any electric distribution company, the electric distribution company
 124 may seek cost recovery for the costs of purchasing new natural gas
 125 capacity either through procuring contracts for new pipeline capacity
 126 or otherwise, as directed by the Commissioner of Energy and
 127 Environmental Protection pursuant to section 2 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2015</i>	16a-3b(b)
Sec. 2	<i>July 1, 2015</i>	New section
Sec. 3	<i>July 1, 2015</i>	New section

Statement of Legislative Commissioners:

Section 1(a) was deleted because it is existing law, and the bill proposes no change to said existing law.

ET *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 16 \$	FY 17 \$
Statewide (includes various state agencies)	All Funds - Potential Cost	See Below	See Below
Department of Energy and Environmental Protection	GF - Cost	Minimal	Minimal

Note: All Funds=All Funds; GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 16 \$	FY 17 \$
All Municipalities	Potential Cost	See Below	See Below

Explanation

The bill allows electric companies to recover the costs of purchasing new natural gas capacity through a rate proceeding. Costs may be incurred in FY 16 and FY 17 for the state and municipalities as ratepayers.

The bill transfers the requirement to issue request for proposals related to the Integrated Resource Plan (IRP), from the Public Utilities Regulatory Authority (PURA) to the Department of Energy and Environmental Protection (DEEP), and broadens the circumstances under which such a request is issued. It adds reporting and public hearing requirements, and changes how costs related to third-party entities are recovered. This will result in a minimal cost to DEEP to hold the additional public hearings.

The bill also allows the DEEP commissioner, in consultation with the procurement manager, the Office of Consumer Council (OCC) and the attorney general, to solicit proposals for long term contracts with

generating facilities or conservation programs. The bill subjects any resulting agreement to PURA's review and approval.

The bill requires the net costs of any such agreement to be recovered through a component of electric rates for all electric customers. Costs may be incurred in FY 16 and FY 17 for the state and municipalities as ratepayers. The process is not expect to have a fiscal impact as DEEP, OCC and PURA all have the staff and expertise to solicit the proposals and review them.

The Out Years

The net ratepayer impact for the state and municipalities in the out years depends on the potential savings from increased natural gas supply and the cost the state and municipalities pay to electric companies to recover the costs of the new infrastructure.

OLR Bill Analysis**sSB 1078*****AN ACT CONCERNING AFFORDABLE AND RELIABLE ENERGY.*****SUMMARY:**

This bill transfers, from the Public Utilities Regulatory Authority (PURA) to the Department of Energy and Environmental Protection (DEEP), the ability and requirement to issue a request for proposals related to the Integrated Resource Plan (IRP) and broadens the circumstances under which such a request is issued. It adds reporting and public hearing requirements, and changes how costs related to third-party entities are recovered. By law, every two years, DEEP, in consultation with the electric companies, must review the state's energy and capacity resources and develop an IRP for procuring energy resources.

The bill requires the Energy and Technology Committee to hold a public hearing on DEEP's selected proposals and authorizes the committee to advise DEEP of its approval or modification of the proposals.

The bill also allows the DEEP commissioner, in consultation with the procurement manager, the Office of Consumer Council (OCC), and the attorney general, to solicit proposals for long term contracts with generating facilities or demand response resources (e.g., conservation programs). The bill specifies criteria the DEEP commissioner must consider when selecting proposals and subjects any resulting agreement to PURA's review and approval. The bill requires the net costs of any such agreement to be recovered through a fully reconciling component of electric rates for all electric company customers. It also allows electric companies to recover the costs of purchasing new natural gas capacity through a rate proceeding.

EFFECTIVE DATE: July 1, 2015

INTEGRATED RESOURCES PLAN IMPLEMENTATION

The bill transfers, from PURA to DEEP, a requirement to issue an IRP-related request for proposals, makes conforming changes, and broadens the circumstances when an RFP is required. Current law requires PURA to issue a request for proposals when the IRP contains an option to procure new sources of generation. The bill instead requires DEEP to issue a request for proposals as needed to meet IRP goals, which include:

1. meeting electric energy or capacity needs,
2. meeting renewable portfolio standards,
3. improving energy system reliability,
4. lowering energy costs, and
5. reducing greenhouse gas emissions.

Under the bill, proposals selected by DEEP are subject to PURA's approval and DEEP must report on such proposals to the Energy and Technology Committee. Within 60 days of receiving such a report, the committee must hold a public hearing on the proposals. Within 30 days of the public hearing, the committee must advise DEEP of its approval or modification of any selected proposals.

The bill makes conforming changes to provisions related to the RFPs, including one allowing PURA to retain the services of a third-party entity with expertise in energy procurement to oversee the development of the request for proposals and help PURA approve proposals. The bill instead allows DEEP to retain a third-party entity for this purpose, but changes the way associated costs are recovered. Under current law, costs associated with retaining such a third-party entity are recovered through the generation services charge. The bill instead allows DEEP to recover the costs through the Consumer Counsel and Public Utility Control Fund.

LONG TERM CONTRACTS***Solicitation***

The bill allows the DEEP commissioner, in consultation with the procurement manager, the OCC, and the attorney general, to solicit proposals for long term contracts from providers of:

1. natural gas pipeline capacity constructed on or after January 1, 2016;
2. liquefied natural gas;
3. Class I renewable energy sources (e.g., wind, solar, or fuel cell power);
4. active demand response resources, including load management;
5. distributed generation, including combined heat and power; or
6. verifiable large-scale hydropower (see BACKGROUND).

The bill allows the DEEP commissioner to solicit such proposals on his own or in coordination with other states in the region served by the Independent System Operator of New England (ISO-NE).

Evaluation and Selection

When reviewing proposals, the DEEP commissioner must consider:

1. economic benefits to the state,
2. fuel diversity,
3. whether the benefits of the proposal outweigh its costs, and
4. the delivered price of such sources.

He must also consider whether the proposal is:

1. consistent with state requirements to reduce greenhouse gas emissions;

2. in ratepayers' best interest; and
3. aligned with the state's Comprehensive Energy Strategy, including environmental impacts.

If he finds proposals in the best interests of ratepayers, the commissioner may select proposals from generating facilities or demand response resources for up to the state's proportional share of the regional energy load of natural gas capacity.

PURA Review

Under the bill, any agreement between the DEEP commissioner and a generating facility or demand response resource is subject to PURA's review and approval. The bill allows the DEEP commissioner to file an application with PURA for review and approval of the agreement. PURA must issue a decision on the application within 60 days of this filing. Under the bill, if PURA does not issue a decision within 60 days of receiving the application, or within 90 days with DEEP's consent, the application is deemed approved.

Cost Recovery

Under the bill, the net costs of any such agreement must be recovered through a fully reconciling component of electric rates for all electric company customers. The net costs include (1) the electric companies' costs incurred under the agreement and (2) reasonable costs incurred in connection with the agreement.

Beginning July 1, 2015, the bill allows electric companies to seek to recover, through a rate application filed with PURA, the costs of purchasing new natural gas capacity incurred when procuring contracts for new pipeline capacity or otherwise, as directed by the DEEP commissioner in relation to a long term contract agreement.

BACKGROUND

Large-Scale Hydropower

By law, large-scale hydropower is any hydropower facility that (1) began operation on or after January 1, 2003; (2) meets certain

geographic eligibility criteria; (3) delivers power to its geographic eligibility area; and (4) has a generating capacity of over 30 megawatts (CGS § 16-1 (a) (47)).

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute

Yea 20 Nay 3 (03/24/2015)